

AR04

# CANADA GENERAL FUND

LIMITED

Annual Report 1963





**COVER:** Vast untapped natural resources combined with fast growing industry and commerce characterize Canada's economy today. This combination of factors is illustrated by this Imperial Oil Limited installation at Baie Comeau on the St. Lawrence Seaway.



# Annual Report to Shareholders

August 31, 1963

**CANADA GENERAL FUND**  
**LIMITED**

## OFFICERS AND DIRECTORS

HENRY T. VANCE	<i>Chairman of the Board</i>
WILLIAM F. SHELLEY	<i>President and Director</i>
ROBERT L. OSGOOD	<i>Vice-President and Director</i>
EDWARD F. RYAN	<i>Vice-President and Director</i>
MAXWELL C. G. MEIGHEN	<i>Vice-President and Director</i>
A. BRUCE MATTHEWS	<i>Vice-President and Director</i>
G. ALLEN ROSS	<i>Vice-President</i>
LOUIS A. GALLINARI	<i>Treasurer</i>
RICHARD C. MEECH, Q. C.	<i>Secretary</i>
ARTHUR H. HAUSSERMANN	<i>Assistant to the President</i>

## OTHER DIRECTORS

*(with some of their affiliations)*

O. KELLEY ANDERSON New England Mutual Life Insurance Co., <i>President</i> Boston Fund, <i>Director</i>	VINTON C. JOHNSON Century Shares Trust, <i>Chairman of Board of Trustees</i> Boston Five Cents Savings Bank, <i>Trustee</i>
JOHN A. FULLER Shawinigan Chemicals Limited, <i>Chairman of the Board</i> British American Oil Co., Ltd., <i>Director</i>	HONOURABLE RAY LAWSON Traders Finance Corp., Limited, <i>Director</i> Canadian General Insurance Co., Ltd., <i>Director</i>
GEORGE M. HOBART Consolidated Paper Corporation, <i>President</i> Continental Can Co. of Canada, <i>Director</i>	WILLIAM F. MORTON State Street Investment Corp., <i>Director</i> Seaboard Air Line Railroad Co., <i>Director</i>
DR. OLIVER B. HOPKINS Retired; formerly: <i>Director</i> , Petroleum Division, Government of Canada; <i>Vice-President and Director</i> , Imperial Oil, Ltd.	RAY E. POWELL Aluminium Limited, <i>Director</i> Bell Telephone Company of Canada, <i>Director</i>
KENNETH L. ISAACS Massachusetts Investors Trust, <i>Vice-Chairman of Board of Trustees</i> Southern Pacific Company, <i>Director</i>	JOSEPH J. SNYDER Massachusetts Institute of Technology, <i>Treasurer and Chairman of Investment Committee</i> Transcontinental Gas Pipe Line, <i>Director</i>



# CANADA GENERAL FUND

LIMITED

## *To the Shareholders:*

During the past year the Canadian economy has prospered and significant achievements have been recorded in industry. New highs have been reached in corporate profits, dividend payments and the important economic indicators of gross national product and industrial production.

Your Fund has reflected these gains through ownership of companies sharing in this growth. On August 31, 1963, the per share net asset value of your Fund was \$16.37, an all-time year-end high and a 12% increase over the \$14.56 per share on August

### ASSET VALUES PER SHARE

Aug. 31, 1952	\$ 7.53
Aug. 31, 1953	6.76
Aug. 31, 1954	9.25
Aug. 31, 1955	11.64
Aug. 31, 1956	13.54
Aug. 31, 1957	12.80
Aug. 31, 1958	13.30
Aug. 31, 1959	14.89
Aug. 31, 1960	13.29
Aug. 31, 1961	15.90
Aug. 31, 1962	14.56
Aug. 31, 1963	16.37

Asset Values adjusted for merger of Canada General Fund, Inc. with the Fund on November 8, 1954. Capital gain distributions and dividends prior to merger not taken into account.

31, 1962. You will also be interested to note the table on this page and the chart of investment performance on page 5 which show the steady increase in the value of your Fund's shares over the years. We anticipate that with further growth of the Canadian economy over the long term, this upward trend will continue. The present state of the Canadian economy and the indicated prospects for its future are discussed in the section of this report entitled "Canada in Perspective." It is both factual and interesting.

On November 1, 1962, your Fund announced a new policy of distributing all net income from dividends and interest in regular dividend payments. This year your dividends from these sources have totalled \$0.38 per share.

It is with deep regret that we report the death of Mr. Evan V. Shierling on August 19, 1963. Mr. Shierling was a Vice President and Director of your Fund and had been active in its management since its inception. His association with the Fund will be greatly missed.

Sincerely,

HENRY T. VANCE, *Chairman*

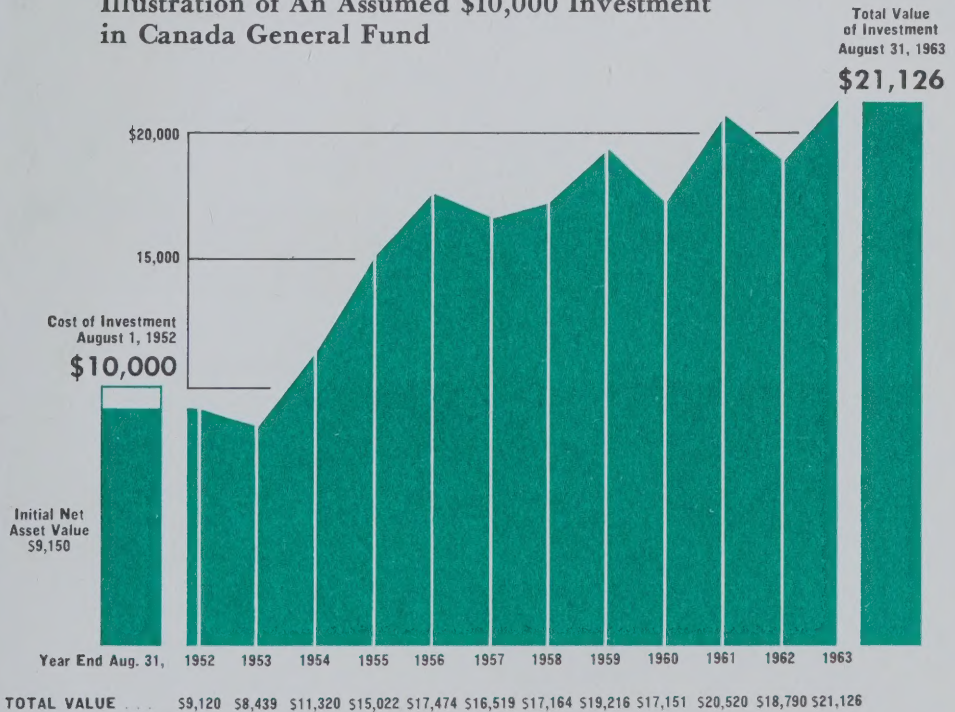
WILLIAM F. SHELLEY, *President*



## PRODUCTIVE PERFORMANCE

These results reflect the fact that the Fund's investment holdings have increased in value, and also that all income of the Fund was retained and invested for the benefit of shareholders through 1962. In 1963 the Fund initiated semi-annual dividend payments which in this illustration totaled \$490 for the year.

### Illustration of An Assumed \$10,000 Investment in Canada General Fund



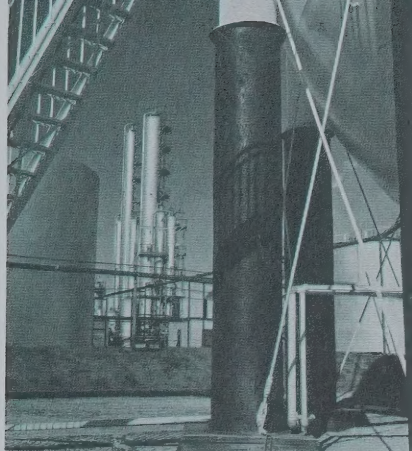
The cost of the initial investment (\$10,000) includes a distribution charge as described in the Prospectus.

The chart above covers the period from August 1, 1952 to August 31, 1963 which includes Canada General Fund, Inc. prior to its merger with the Fund on November 8, 1954. Securities prices generally were higher at the end of the period than at the beginning. These results should not be considered as a representation of the capital gain or loss which may be realized from an investment made in the Fund today.

Untapped power. Hamilton Falls, in Labrador, is one of the many great sources of hydro-electric power as yet unharnessed for the use of Canada's growing industrial economy.







## CANADA IN PERSPECTIVE

Abundant and varied mineral resources strengthen Canada's prospects for achieving continued significant industrial growth in the years ahead. Today, Canada . . .

- . . . is one of the world's major suppliers of iron ore
- . . . produces two-thirds of the free world's nickel
- . . . is the free world's largest producer of asbestos and platinum; second largest of gold, zinc and cadmium; third of gypsum and silver and among the leaders in copper and lead.

The vital link needed to convert these resources into industrial production is provided by the energy from vast natural gas and oil reserves and plentiful hydro-electric power. Additionally, Canada has recently developed an effective program in nuclear energy research.

This immense storehouse of energy has made power cheap and, as a result, attracted heavy industry to Canada. An illustration is the aluminum industry, a major user of electricity. Benefiting from the hydro-electric reserves and low-cost power available, Canadian aluminum production has become second in the world only to the United States. Another major Canadian industry is the billion dollar pulp and paper industry where Canada ranks first in the world as a producer of newsprint and second of wood pulp.



Map reflects major areas of industrial development and concentration of natural resources.

Some of the essential elements of strength in Canada's long-range economic picture were set forth several years ago by the Royal Gordon Commission which prepared a comprehensive survey of Canada's future. The comparative figures are revealing . . .

	1962 (Actual)	1980 (Est.) Royal Gordon Comm.	% Increase 1980 over 1962
Population	18,700,000	26,700,000*	+43
Working Force	6,600,000	9,900,000*	+50
Gross National Product	\$40,400,000,000**	\$77,000,000,000**	+90
<b>ANNUAL PRODUCTION</b>			
Minerals	\$ 2,840,000,000	\$ 5,500,000,000	+93
Oil (bbl.)	244,000,000	1,095,000,000	+349
Gas (mil. c.f.)	948,000	3,000,000	+216
Aluminum (tons)	675,000	2,400,000	+256
Iron Ore (tons)	27,500,000	80,000,000	+191
Automobiles	508,000	1,040,000	+105

\*Assumes 75,000 annual immigration

\*\*In 1962 dollars





## *Legend*



**FOREST PRODUCTS**



**INDUSTRY**



**MINING**

including Nickel, Iron,  
Gold, Silver, Copper,  
Lead, Zinc, Asbestos  
and Platinum.



**OIL and NATURAL GAS**

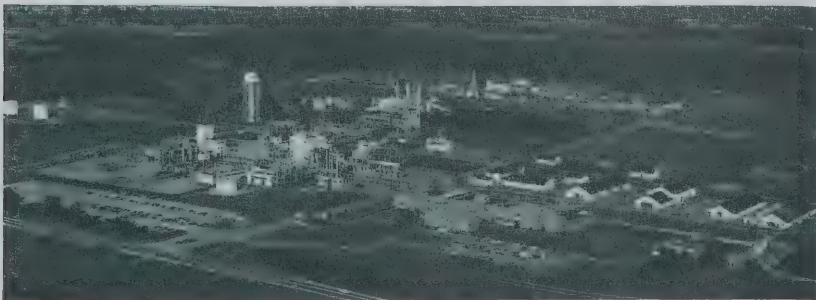


**TRADE and COMMERCE**



**WATER POWER**

Aided by a rapidly growing population, increasing consumer demands, and a strong banking system, Canada has established itself as a major industrial nation with a promising future.



DuPont Company of Canada's Maitland Works where basic chemicals are produced from which nylon, "Orlon" acrylic fibre, "Freon" refrigerants, propellants and hydrogen peroxide are made.



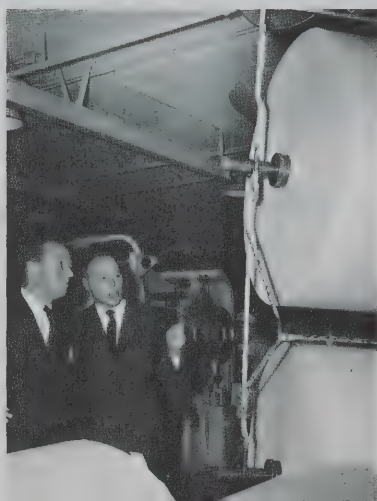
## INVESTMENT MANAGEMENT AND RESEARCH

As you would expect, most Canadian industries are similar to their U. S. counterparts. Thorough investment analysis of Canadian companies, therefore, includes continuing comparisons with their comparable American companies. Your Fund retains Boston Management & Research Company as investment advisor, a firm which serves in the same capacity for a \$300 million United States investment company.

A good illustration of the potential benefits of this dual approach is in the newsprint industry where Canada ranks first in the world and which sends eighty per cent of its production to the United States. Not only must the Canadian companies be analyzed, but thorough analysis should and does include a study of their markets and the business outlook in the United States as well as the prospects for the newsprint consumers.

Distance from the scene and lack of daily contact with Canadian business activity offer an obvious hurdle to the individual American investor. Moreover, comprehensive corporation data and information on which to base investment decisions is not as readily available as in the United States. Utilizing the techniques so

Research by Fund's investment analysts includes field trips to companies throughout North America. Below left, Vincent Jones visiting a leading Canadian utility company. Below right, Edward Motley checking operations at an important American paper manufacturer.





The officers and directors at one of their regular meetings.

successfully developed in this country, analysis of investment securities by your Fund's investment advisor is supplemented by field trips to all parts of North America. Investment analysts travel tens of thousands of miles each year, obtaining information and interviewing corporate executives and other informed persons to keep their knowledge up to date.

Supplementing the day to day analytical and supervisory work of the investment advisor, the Fund has in its Board of Directors an experienced team of Canadian and American investment and business leaders who contribute importantly to the over-all investment management effort to attain worthwhile long-term investment results.

The Canadian Directors are engaged in Canadian industry, business and finance. They bring to the Fund a discerning judgment of Canadian investment values, a sound insight into business, economic and political developments, and personal contact with key business executives who are essential sources of reliable investment information.

All of the American Directors are actively engaged in the management of large well-known American investment companies, many of which invest in Canada.



# INVESTMENT HOLDINGS — *August 31, 1963*

<i>Number of Shares</i>		<i>Market Value</i>	<i>% of Total</i>
<b>AGRICULTURAL EQUIPMENT — 0.7%</b>			
26,850	Massey-Ferguson Limited	\$ 353,303	.7
<b>AUTOMOTIVE — 0.1%</b>			
340	Ford Motor Co. of Canada, Limited	57,140	.1
<b>BANKING — 15.9%</b>			
23,850	Bank of Nova Scotia	1,577,395	3.2
26,689	Canadian Imperial Bank of Commerce	1,540,280	3.2
26,031	Toronto-Dominion Bank	1,490,288	3.1
20,307	Royal Bank of Canada	1,368,851	2.8
20,593	Bank of Montreal	1,221,744	2.5
5,502	Banque Canadienne Nationale	386,120	.8
4,500	Trust Général du Canada, 7% Pfd.	157,901	.3
<b>CHEMICALS — 2.7%</b>			
22,445	DuPont Company of Canada, Ltd.	735,759	1.5
38,224	Canadian Industries Limited	564,734	1.2
<b>ELECTRICAL EQUIPMENT — 0.3%</b>			
5,293	Canadian Westinghouse Company Limited	132,575	.3
<b>FINANCE — 2.0%</b>			
46,850	Industrial Acceptance Corp., Ltd.	967,966	2.0
<b>FOREST PRODUCTS — 5.9%</b>			
47,675	MacMillan, Bloedel & Powell River	996,017	2.0
27,475	Consolidated Paper Corp., Ltd.	995,784	2.0
19,700	Abitibi Power & Paper Company, Limited	800,399	1.7
3,326	Price Brothers & Company, Limited	104,037	.2
<b>INSURANCE — 8.6%</b>			
4,125	Great-West Life Assurance Company	2,913,889	6.0
5,900	Industrial Life Insurance Company	1,253,047	2.6
<b>MINING — 4.2%</b>			
9,264	International Nickel Company of Canada, Ltd.	597,528	1.2
15,000	Noranda Mines, Limited	519,410	1.1
14,950	Consolidated Mining and Smelting Co. of Canada	376,179	.8
14,800	Aluminium Limited	360,750	.7
9,875	Asbestos Corporation Limited	218,845	.4
<b>OIL and GAS — 13.2%</b>			
49,245	Imperial Oil Limited	1,904,164	3.9
66,025	Shell Investments Ltd., 5½% Conv. Pfd.	1,646,113	3.3
100,400	Dome Petroleum Limited	1,274,747	2.6



<i>Number of Shares</i>		<i>Market Value</i>	<i>% of Total</i>
<b>OIL and GAS — (Continued)</b>			
46,600	Supertest Petroleum Corporation, Limited	\$ 720,756	1.5
19,100	British American Oil Co., Ltd.	478,399	1.0
9,800	Texaco Canada Ltd.	434,365	.9
<b>PIPE LINES — 7.0%</b>			
45,775	Interprovincial Pipe Line Company	3,397,323	7.0
<b>RAILROAD — 2.9%</b>			
47,900	Canadian Pacific Railway Company	1,415,380	2.9
<b>STEELS — 9.3%</b>			
83,180	Steel Company of Canada, Ltd.	1,555,362	3.2
31,475	Algoma Steel Corporation, Limited	1,511,321	3.1
24,980	Dominion Foundries and Steel, Ltd.	1,453,184	3.0
<b>STORES — 12.1%</b>			
142,175	Dominion Stores Limited	2,067,718	4.2
66,433	Simpsons, Limited	1,901,661	3.9
116,100	Loblaw Companies Limited, "B"	817,447	1.7
68,166	Shop & Save (1957) Ltd.	535,025	1.1
12,000	Woodward Stores (1947), Ltd., "A"	213,304	.4
16,160	Hudson's Bay Company	207,044	.4
7,600	Canadian Tire Corporation, Ltd., "A"	182,463	.4
<b>UTILITIES — 7.9%</b>			
54,500	Great Lakes Power Corp., Ltd.	1,126,023	2.3
23,120	Quebec-Telephone	923,340	1.9
39,225	Nova Scotia Light and Power Company Limited	910,032	1.9
10,357	Bell Telephone Company of Canada	510,457	1.0
10,050	Union Gas Company of Canada, Ltd.	198,363	.4
3,795	International Utilities Corporation, \$2 Conv. Pfd.	176,090	.4
<b>OTHER INDUSTRIES — 7.2%</b>			
109,313	Dominion Tar & Chemical Co., Ltd.	1,703,347	3.5
157,950	Canadian Breweries Ltd.	1,476,734	3.0
15,000	Charles E. Frosst & Co., "A"	283,944	.6
14,900	Phantom Industries Limited	28,550	.1
<b>TOTAL INVESTMENTS</b>		<b>\$48,742,597</b>	<b>100.0</b>

## INVESTMENT CHANGES

*Three Months Ended August 31, 1963*

	<i>Shares Held</i>	
	<i>May 31</i>	<i>August 31</i>
Dominion Stores Limited	144,875	142,175
Hudson's Bay Company	84,360	16,160
Interprovincial Pipe Line Company	49,600	45,775
Loblaw Companies Limited, "B"	123,300	116,100
Simpsons, Limited	68,608	66,433

## ASSETS AND LIABILITIES

*August 31, 1963*

### ASSETS

Investments, at market quotations (Average cost, \$34,211,700)	\$48,742,597
Cash on demand deposit . . . . .	4,100,354
Receivable for investment securities sold . . . . .	183,736
Dividends receivable . . . . .	192,895
TOTAL . . . . .	<u>\$53,219,582</u>

### LIABILITIES

Dividend payable September 27, 1963 — 19¢ per share	\$598,837	
Payable for common shares redeemed . . . . .	144,031	
Accrued expenses . . . . .	2,733	
Reserve for Canadian tax on common shares redeemed (Note 1) . . . . .	870,955	1,616,556
NET ASSETS (at market) — Equivalent to \$16.37 per share for 3,151,776 common shares . . . . .		<u><u>\$51,603,026</u></u>

*Signed on behalf of the Board:*

WILLIAM F. SHELLEY, *Director*

EDWARD F. RYAN, *Director*

## INCOME AND EXPENSES

*Year Ended August 31, 1963*

### INCOME:

Dividends . . . . .	\$1,741,705	
Interest . . . . .	15,934	\$ 1,757,639

### EXPENSES:

Investment adviser fee . . . . .	\$ 212,437	
Compensation of officers and directors not affiliated with investment adviser . . . . .	63,500	
Custodian fee . . . . .	21,000	
Transfer and dividend disbursing agent fees . . . . .	26,339	
Printing and postage . . . . .	20,677	
Legal and auditing . . . . .	23,979	
Taxes . . . . .	2,615	
Miscellaneous expenses . . . . .	16,136	386,683
NET INCOME . . . . .		<u><u>\$ 1,370,956</u></u>

## CHANGES IN NET ASSETS

*Year Ended August 31, 1963*

NET ASSETS, August 31, 1962 . . . . .		\$57,469,666	
INCOME:			
Net income . . . . .	\$ 1,370,956		
Deduct — Net amount representing participation in current undistributed net income in respect of capital stock redeemed and sold . . . . .	73,297		
Remainder . . . . .	\$ 1,297,659		
Deduct — Dividends (38¢ per share) . . . . .	1,261,750	35,909	
PRINCIPAL:			
Gains or losses on investments (computed on the basis of average cost) —			
Realized net gains . . . . .	\$ 3,279,071		
Increase in unrealized appreciation to \$14,530,897 . . . . .	3,554,745	6,833,816	
Capital stock redeemed and sold (exclusive of net amount representing participation in current undistributed net income) —			
Cost of 822,517 common shares redeemed . . . . .	\$13,163,467		
Deduct — Proceeds (less selling commissions) from sales of 26,660 common shares . . . . .	427,102	(12,736,365)	
NET ASSETS, August 31, 1963 (Including current undistributed net income, \$35,909) . . . . .		\$51,603,026	

( ) Denotes deduction

## NOTES TO FINANCIAL STATEMENTS

- (1) The reserve for Canadian tax on common shares redeemed was established to provide for the Fund's liability, under its By-Laws, to pay the Canadian income tax of United States shareholders resulting from the redemption of their shares by the Fund. Such tax is computed at 15% of that portion of the Fund's accumulated undistributed net income (excluding capital gains), in respect of which no such tax has been paid, which is allocable to the shares redeemed. Since the present balance in the reserve is equal to the total potential tax applicable to all of the outstanding shares and since the Fund intends to distribute as dividends to its shareholders substantially all of its net income earned after August 31, 1962, no future liability for this tax beyond that already provided for will be incurred.
- (2) The Fund does not expect to be subject to United States income tax and expects to pay little or no Canadian income tax, other than the tax described in Note 1.
- (3) The Fund's financial statements are expressed in United States dollars.



## SUPPLEMENTARY INFORMATION

Net asset values per share on August 31, 1959, 1960, 1961, 1962, and 1963 were, respectively, \$14.89, \$13.29, \$15.90, \$14.56, and \$16.37. During the year ended August 31, 1963, dividends aggregating 38¢ per share were declared from net income on investments.

Purchases and sales of investment securities, other than short-term Government of Canada Treasury Bills, aggregated \$2,173,598 and \$13,803,681, respectively, during the year ended August 31, 1963.

The investment adviser fee paid to Boston Management & Research Company, as compensation for statistical, research, and advisory services rendered to the Fund, amounted to \$212,437 during the year ended August 31, 1963. Except as to officers and directors of the Fund not affiliated with the investment adviser (see Statement of Income and Expenses), officers and directors receive remuneration for their services to the Fund from such investment adviser fee, in some cases as partners of Boston Management & Research Company.

During the year ended August 31, 1963, Borden, Elliot, Kelley & Palmer was paid \$3,389 for legal services rendered to the Fund. Richard C. Meech, secretary of the Fund, is a partner of Borden, Elliot, Kelley & Palmer.

During the year ended August 31, 1963, Vance, Sanders & Company, Inc., the principal underwriter, received \$14,658 as its portion of the sales charge on sales of 26,660 common shares of the Fund, and the Fund received \$428,894 representing the aggregate net asset value of such shares. Certain of the officers and directors of the Fund are officers and directors of Vance, Sanders & Company, Inc.

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## AUDITORS' REPORT

*To the Board of Directors and Shareholders,*  
CANADA GENERAL FUND LIMITED:

We have examined the statement of assets and liabilities, including the schedule of investments, of Canada General Fund Limited (a Canadian corporation) as at August 31, 1963, the related statements of income and expenses and changes in net assets for the year ended that date, and the schedule of supplementary information. We inspected investment securities held by the custodian at August 31, 1963 and obtained confirmation of investment securities in transit at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements, as enumerated above, including the notes thereto, present fairly the financial position of Canada General Fund Limited at August 31, 1963, and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ME AHL, McNAMARA & Co.

Boston, Massachusetts  
September 9, 1963

# **CANADA GENERAL FUND**

**LIMITED**

250 University Avenue, Toronto, Ontario

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## **LEGAL COUNSEL**

BORDEN, ELLIOT, KELLEY & PALMER  
250 University Avenue, Toronto, Ontario

GASTON, SNOW, MOTLEY & HOLT  
82 Devonshire Street, Boston, Mass.

## **AUDITORS**

MEAHL, McNAMARA & Co.  
111 Devonshire Street, Boston, Mass.

## **CUSTODIAN OF SECURITIES AND CASH, REGISTRAR AND TRANSFER AGENT**

NEW ENGLAND MERCHANTS NATIONAL BANK OF BOSTON  
135 Devonshire Street, Boston, Mass.

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## **INVESTMENT ADVISER**

BOSTON MANAGEMENT & RESEARCH COMPANY  
111 Devonshire Street, Boston, Mass.

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## **UNDERWRITER**

VANCE, SANDERS & COMPANY, INC.  
111 Devonshire Street, Boston, Mass.

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This report is submitted for the information of the shareholders of the Fund. It is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus which includes information regarding the Fund's objectives and policies, record, management, marketability of shares, sales commission and other data.

